

Message Text

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PAGE 01 JAKART 07901 021034Z

45

ACTION EA-14

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

SPM-01 EB-11 AGR-20 SR-02 ORM-03 IO-13 IGA-02 AID-20

OMB-01 TRSE-00 RSR-01 /153 W
----- 104156

R 020900Z JUL 73

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 7672
AMEMBASSY SINGAPORE
AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 7901

FOLLOWING MSG SENT ACTION JAKARTA JUN 29, 1973, NOW PASSED
FOR YOUR INFORMATION:

QUOTE:

C O N F I D E N T I A L MEDAN 0188
E.O. 11652: GDS
TAGS: ECON, ID
REF JAKARTA 7168
SUBJECTC INCREASINGLY SERIOUS RICE SHORTAGE IN NORTH SUMATRA
SUMMARY:
PRICES OF ALL GRADES OF RICE CONTINUE TO RISE IN NORTH SUMATRAN
MARKETS, UP AN AVERAGE OF 100 PERCENT SINCE LAST OCTOBER AND LIKELY
TO GO HIGHER IN MONTHS TO COME, DESPITE PROVINCIAL GOVERNMENT
EFFORTS TO ARREST TREND, SOME OF WHICH MAKING IT WORSE. PSYCHOLOGICAL

CLIMATE OF WORLDWIDE SHORTAGE OF FOOD GRAINS COUPLED WITH USUAL
RACKETEERING PROCLIVITIES OF PROVINCIAL OFFICIALDOM ACCOUNT FOR
MAJOR SHARE IN BLAME FOR JUMP BUT HEAVY RAINS IN SOME
DISTRICTS AND UNREALISTIC PROJECTIONS OF SURPLUS ALSO PLAY A PART.
CENTRAL PROBLEM, AS ALWAYS, IS INEFFICIENCY, INCOMPETENCE, NEGLECT
OF GOVERNMENTAL AUTHORITIES AND FAILURE OF FIVE YEAR PLAN IN
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PAGE 02 JAKART 07901 021034Z

PROVINCIAL AGRICULTURAL SECTOR. REFUSAL TO FACE UP TO CONSE-

QUENCES OF INSUFFICIENT INVESTMENT IN SEEDS, PESTICIDES, FERTILIZER AND IRRIGATION WORKS AND INSISTENCE ON FICTION THAT 200,000 METRIC TON SURPLUS REPORTED TO CENTRAL GOVERNMENT "IS AROUND HERE SOMEWHERE" ARE LIKELY TO LEAVE PROVINCIAL GOVERNMENT IN TIGHT SPOT BEFORE LONG, PARTICULARLY SINCE IMPORTS FROM ACEH AND ELSEWHERE INCREASINGLY PROBLEMATIC. IN ETHNIC TINDERBOX OF NORTH SUMATRA, OFFICIAL ATTEMPTS TO FIX BLAME ON CHINESE, TRADITIONAL SCAPEGOAT HERE, COULD LEAD TO EXPLOSIVE SITUATION. END SUMMARY

IN EFFORT TO KEEP JAKARTA HAPPY, PROVINCIAL AUTHORITIES SUBSCRIBED TO TARGET FIGURE OF 1.8 MILLION METRIC TONS FOR THIS SEASON'S HARVEST AS SET BY CENTRAL GOVERNMENT IN FEBRUARY AND, DESPITE CROP FAILURES IN SOME DISTRICTS AND OVERALL HARVEST WELL BELOW (ESTIMATED TO BE 10-30 PERCENT OFF) PROVINCIAL REQUIREMENT OF 1.6 MILLION METRIC TONS, AUTHORITIES INSISTING 200,000 METRIC TON SURPLUS IS AVAILABLE AND NO REASON FOR PRICE LEVELS OF 140-160 RUPIAHS PER KILO. IN FACT, ONLY WAY TO ACHIEVE CENTRAL GOVERNMENT TARGET FIGURE WAS VIA CRASH PROGRAM OF BRINGING MORE LAND INTO PRODUCTION, INCREASING USE OF HIGH YIELDING STRAINS/ 03 58:8\$3 /FERTILIZERS, REHABILITATION OF IRRIGATION WORKS AND BIGGER INCENTIVES FOR FARMERS. DINAS PERTANIAN (AGRICULTURE SERVICE) IS LITTLE MORE THAN COSTLY JOKE IN NORTH SUMATRA, PROVINCIAL GOVERNMENT

HAS CONSISTENTLY IGNORED FIVE YEAR PLAN GOALS IN RICE SECTOR, AND PEASANTS REGARD THEMSELVES AS UNDER-COMPENSATED FOR EFFORTS, SO ADOPTING TARGET FIGURE AS REAL PRODUCTION FIGURE WAS ALWAYS UNREAL. HEAVY RAINS IN KEY DISTRICTS AND CONTINUING SCANDAL IN FERTILIZER DISTRIBUTION LOWERED REAL FIGURE EVEN FURTHER, SOME SAY AS MUCH AS 30 PERCENT BELOW TARGET OF 1.8 MT. PRICES OF CIRCA 100 RUPIAHS FROM LAST CROP SEASON NEVER WENT DOWN AND WHEN WORD OF REGIONAL AND WORLDWIDE SHORTAGE GOT AROUND, AND SUSPICIONS GREW OF SERIOUS SHORTFALL IN PROVINCIAL PRODUCTION, PRICES BEGAN TO SKYROCKET. IMPORT OF 45,000 MT OF PAKISTANI RICE MADE NO DENT AND DOLOG EFFORTS TO BUY UP SUPPOSED SURPLUS AT UNREALISTICALLY LOW PRICES (ABETTED BY EXTORTION AND STRONG-ARM METHODS) FAILED, NOW OFFICIALLY ABANDONED AT INSTRUCTIONS OF NATIONAL STABILIZATION COUNCIL. RUMOR OF WIDESPREAD HOARDING OR EXPORT OF STOCKS TO SINGAPORE SEEMS UNFOUNDED. FAR MORE LIKELY SURPLUS WAS MIRAGE TO BEGIN WITH AND PRICES RESULT FROM VAST DEMAND CHASING MINISCULE SUPPLY. WHILE PROVINCIAL AUTHORITIES

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PAGE 03 JAKARTA 07901 021034Z

OTHERWISE UNABLE TO CONTROL PRICE SURGE, THEY ARE PROFITEERING FROM ONE SECTOR THEY CAN CONTROL, INSISTENCE THAT FOREIGN PLANTATIONS BUY AT HIGH PRICES FROM ACEHENESE DEALERS. SITUATION DETERIORATING IN ACEH AS WELL, WITH PRICE OF 110 RUPIAHS PER KILO REPORTED IN LHOKSEUMAWE. ACEH GOVERNOR WALAD WAS WORRIED ABOUT OUTFLOW OF ACEHENESE SURPLUS TO NORTH SUMATRA AS LONG AGO AS FEBRUARY BUT WAS ORDERED TO KEEP HANDS OFF BY CENTRAL GOVERNMENT. BOTH PROVINCES ARE ACCUSTOMED TO RELATIVELY HIGH STANDARD OF LIVING, AS COMPARED

TO JAVA, AND FACT RICE NOW PRACTICALLY OUT OF REACH FOR POORER URBAN
CLASSES IS SERIOUS MATTER INDEED. SO FAR NO EVIDENCE THAT NORTH
SUMATRA AUTHORITIES INTEND TO BLAME WORSENING LIVING CONDITIONS
ON CHINESE BUT IF THEY DO THEY MIGHT BE SORRY. AIRGRAM FOLLOWS.
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UNQUOTE:
GALBRAITH

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